

CITY OF PINCONNING
BAY COUNTY
STATE OF MICHIGAN

FINANCIAL REPORT
WITH SUPPLEMENTAL INFORMATION
FISCAL YEAR ENDED JUNE 30, 2007

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name CITY OF PINCONNING	County BAY
Fiscal Year End JUNE 30, 2007	Opinion Date SEPTEMBER 21, 2007	Date Audit Report Submitted to State NOVEMBER 12, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

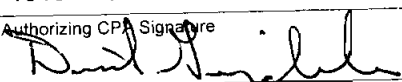
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)
Financial Statements	<input checked="" type="checkbox"/>	
The letter of Comments and Recommendations	<input type="checkbox"/>	NON E
Other (Describe)	<input type="checkbox"/>	
Certified Public Accountant (Firm Name) QUAST JANKE AND COMPANY		Telephone Number 989-892-4549
Street Address 1010 N. JOHNSON		City BAY CITY
		State MI
		Zip 48708
Authorizing CPA Signature 		Printed Name DAVID GWIZDALA
		License Number 1101019683

CITY OF PINCONNING
BAY COUNTY
STATE OF MICHIGAN

FINANCIAL STATEMENTS
FISCAL YEAR ENDED June 30, 2007

CITY OFFICIALS - As of June 30, 2007

Mayor	Michael Duranczyk
Council Member	Robert K. Hall
Council Member	Anthony Pawelski
Council Member	Larry Shute
Council Member	Stanley Brandenburg
Council Member	Linda Byrne
Council Member	Michelle Bleshenski
Treasurer	Dawn Hoder
Clerk	Terri Hribek
Attorney	Brian Elder
Supt. of Public Safety	Thomas Tober
City Manager	Richard Byrne

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Quast, Janke and Company, P.C.
Certified Public Accountants

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Members:
American Institute of C.P.A.'s
Michigan Association of C.P.A.'s

INDEPENDENT AUDITOR'S REPORT

September 21, 2007

To the City Council
The City of Pinconning
Bay County
Pinconning, Michigan 48650

We have audited the financial statements of the governmental activities, business-type activities, and major funds as of and for the year ended June 30, 2007 which collectively comprise the City of Pinconning's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

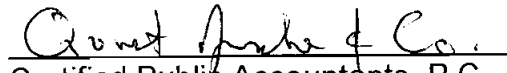
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the government activities, business-type activities, the discretely presented component unit and each major fund as of June 30, 2007, and the changes in financial position and cash flows, where applicable, of those activities and funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and budgetary comparison information are not a required part of the basic financial statements, but are supplementary information required by the GASB. We have applied certain limited procedures, which consist principally of inquiries of management, regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

To the City Council
The City of Pinconning
September 21, 2007
Page 2

Our audit was conducted for the purpose of forming an opinion on the City's basic financial statements. The individual fund statements and schedules described in the accompanying table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

QUAST, JANKE AND COMPANY


Certified Public Accountants, P.C.

CITY OF PINCONNING
Bay County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

This section of the City of Pinconning's annual Financial Report presents Management's Discussion and Analysis of the City's financial activities during the fiscal year ended June 30, 2007. The analysis focuses on the City's financial performance as a whole. Please read it in conjunction with the City's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the City of Pinconning exceeded liabilities at June 30, 2007, by \$3,350,348.70. Of this amount \$325,107.92 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net assets decreased by \$154,646.70 during the year. Of this amount the assets of our governmental activities decreased \$33,648.15 and the assets of our business-type activities decreased by \$120,998.55.

USING THIS REPORT

The annual report consists of a series of financial statements as well as other requirements as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.
- Government-wide Financial Statements consists of a statement of net assets and a statement of activities. These provide information about the activities of the City as a whole and represent an overall view of the City's finances.
- Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund Financial Statement report the City's operations in more detail than the government-wide statements by providing information about the most significant funds.
- Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information, other than MD&A, provides information about the required budgetary comparison information.
- Other Supplementary Information provides detailed information about the General Fund.

REPORTING THE CITY AS A WHOLE

The Statement of Net Assets and the Statement of Activities - the Government-wide statements report information about the City as a whole using accounting methods similar to those used by private sector companies. The Statement of Net Assets includes all of the City's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

One of the most important questions asked about the City's finances is: Is the City as a whole better or worse off as a result of the year's activities? The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is very similar to the method of accounting used by most private sector companies. The two statements report the City's net assets, which are the difference between assets and liabilities, as one way to measure the City's financial health, or financial position. Over time, increases or decreases in

CITY OF PINCONNING
Bay County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

the City's net assets are one indicator of whether its financial health is improving or deteriorating. Additional factors such as changes in the City's property tax base and the condition of the City's infrastructure are also important in making this decision.

In the Statement of Net Assets and the Statement of Activities, we have divided the City into two kinds of activities:

- **Governmental Activities** - Most of the City's basic services are reported here, such as public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- **Business-Type Activities** - This activity includes the water and sanitary sewer systems. This activity is financed primarily by user charges.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

The fund financial statements provide detailed information about individual, significant funds, not the City as a whole. Some funds are required to be established by State law and by bond covenants. The City can establish other funds to control and manage money for particular purposes (such as construction or street projects) and to show that it is properly using certain revenues (such as tax increment financing revenues). The City has two kinds of funds:

Governmental Funds

The Governmental Funds account for most of the City's basic services. They focus on how money flows into and out of those funds and the balances at year-end that are available for spending. Governmental funds include the General Fund; Special Revenue Funds such as Major Street; Local Street and Downtown Development Authority. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The government fund statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The financial statements required for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

CITY OF PINCONNING
Bay County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

Proprietary Funds

Proprietary Funds account for the City's enterprise funds. These funds report services for which the City charges customers for the service it provides. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The major difference between the proprietary fund and the business-type activities included in the government-wide statement is the detail and additional information, such as cash flows, provided in the proprietary fund statements. The enterprise fund includes the Water and Sewer Fund, considered to be a major fund of the City. The City is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The financial statements required for proprietary funds include a statement of net assets, a statement of revenues, expenses, and changes in net assets and a statement of cash flows.

GOVERNMENT- WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as useful indicator of financial position. The following analysis shows the City's total net assets at June 30, 2007 and 2006.

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
ASSETS						
Current and other assets	\$ 446,960	\$ 426,079	\$ 204,690	\$ 287,662	\$ 651,650	\$ 713,741
Capital assts net of accumulated depreciation	<u>759,708</u>	<u>814,176</u>	<u>5,132,951</u>	<u>5,300,395</u>	<u>5,892,659</u>	<u>6,114,571</u>
Total Assets	1,206,668	1,240,255	5,337,641	5,588,057	6,544,309	6,828,312
LIABILITIES						
Current liabilities	102,389	102,327	99,571	89,613	201,960	191,940
Long-term liabilities	<u>0</u>	<u>0</u>	<u>2,992,000</u>	<u>3,131,376</u>	<u>2,992,000</u>	<u>3,131,376</u>
Total Liabilities	102,389	102,327	3,091,571	3,220,989	3,193,960	3,323,316
NET ASSETS						
Invested in capital assets						
Net of related debt	759,708	756,162	2,082,654	2,171,688	2,842,362	2,927,850
Restricted	36,765	43,065	146,114	163,644	182,879	206,709
Unrestricted	<u>307,806</u>	<u>338,710</u>	<u>17,302</u>	<u>31,736</u>	<u>325,108</u>	<u>370,437</u>
Total Net Assets	<u>\$ 1,104,279</u>	<u>\$ 1,137,928</u>	<u>\$ 2,246,070</u>	<u>\$ 2,367,068</u>	<u>\$ 3,350,349</u>	<u>\$ 3,504,996</u>

The largest portion of the City's net assets is invested in capital assets (e.g., land, infrastructure, buildings, and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. Total unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation, or other legal requirements is approximately \$325,000.

CITY OF PINCONNING
Bay County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

The following analysis provides the changes in the net assets for the City's governmental and business-type activities:

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
REVENUES						
Charges for services	\$ 70,935	140,017	\$ 556,575	\$ 557,656	\$ 627,510	\$ 697,673
Operating grants and contributions	110,405	125,366	0	0	110,405	125,366
Capital grants and contributions	0	340,097	0	0	0	340,097
GENERAL REVENUES						
Property Taxes	428,990	352,544	0	0	428,990	352,544
State shared revenue	147,561	158,957	0	0	147,561	158,957
Unrestricted investment earnings	21,934	11,273	9,640	8,141	31,574	19,414
Miscellaneous	<u>158</u>	<u>137,163</u>	<u>0</u>	<u>0</u>	<u>158</u>	<u>137,163</u>
Total Revenues	779,983	1,265,417	566,215	565,797	1,346,198	1,831,214
PROGRAM EXPENSES						
Legislative	10,589	13,353	0	0	10,589	13,353
General government	203,733	229,289	0	0	203,733	229,289
Public safety	266,655	248,489	0	0	266,655	248,489
Public works	317,624	340,552	0	0	317,624	340,552
Recreation and cultural	15,034	13,555	0	0	15,034	13,555
Water and Sewer	<u>0</u>	<u>0</u>	<u>687,214</u>	<u>700,525</u>	<u>687,214</u>	<u>700,525</u>
Total Expenses	<u>813,631</u>	<u>845,238</u>	<u>687,214</u>	<u>700,525</u>	<u>1,500,845</u>	<u>1,545,763</u>
INCREASE (DECREASE) IN NET ASSETS	<u>(33,648)</u>	<u>419,179</u>	<u>(120,999)</u>	<u>(134,728)</u>	<u>(154,647)</u>	<u>285,451</u>

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Pinconning completed its year, its governmental funds reported a total fund balance of \$323,752, which is more than the \$344,571 total fund balance at June 30, 2006.

- The General Fund, the operating fund for the City, ended FY07 with a \$307,806 balance compared to the prior year ending fund balance of \$280,589.
- Major Street Fund Balance decreased by \$17.
- Local Street Fund Balance decreased by \$6,284.
- Capital Projects Fund Balance decreased by \$97.

INDIVIDUAL MAJOR BUSINESS-TYPE FUND ANALYSIS

The Water and Sewer Fund, which accounts for the operation and maintenance of the City's water and sewer system, ended FY07 with a \$2,224,069 net asset balance compared to prior year ending net asset balance of \$2,367,068.

CITY OF PINCONNING
Bay County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

BUDGETARY HIGHLIGHTS

During the year ended June 30, 2007, the City amended the budget four (4) times. The amendments were done to cover unbudgeted expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The City's investment in capital assets, including land, buildings and improvements, equipment, water systems, sewer systems, lighting systems, traffic signals and other infrastructure represents the value of the resources utilized to provide services to citizens. Capital assets for governmental activities totaled \$759,708 (net of accumulated depreciation) at June 30, 2007. Capital assets for business-type activities totaled \$5,132,951 (net of accumulated depreciation) at June 30, 2007. See the notes to the financial statements for more information about the City's capital assets. There were no major capital outlays for governmental activities during the year. For business-type activities, a major addition was a water line replacement.

LONG-TERM DEBT

At year end the City had \$3,050,000 in outstanding revenue bonds. All debt in the business-type activities is detailed below:

Water and Sewer Fund

Revenue Bond issued to improve, enlarge and extend the City's water and sewer system.

General Obligation-Original	\$ 527,088
Balance June 30, 2006	53,376
Balance June 30, 2007	0
Original issue 1996 – Series A	2,511,000
Balance June 30, 2006	2,460,000
Balance June 30, 2007	2,440,000
Original issue 1996 – Series B	60,000
Balance June 30, 2006	47,000
Balance June 30, 2007	43,000
Original issue 2002 – Series A	544,000
Balance June 30, 2006	529,000
Balance June 30, 2007	526,000
Original issue 2002 – Series B	47,000
Balance June 30, 2006	42,000
Balance June 30, 2007	41,000

ECONOMIC FACTORS

CITY OF PINCONNING
Bay County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

ECONOMIC FACTORS

Our elected officials consider many factors when setting the City's 2007 fiscal year budget. One of the most important factors affecting the budget is the State of Michigan's economy.

The City's Council has tried to spend conservatively. Costs for health care, insurance and utilities continue to rise. The City maintains its facilities but struggles to provide services to its citizens at the same level as past years. Growth in the City has been slow but the City hopes for new business and industry. Expanding our tax base past single-family homes and increasing water and sewer users is a prime objective.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to present our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and operating activities. If you have any questions or require additional information please contact Administration at the City of Pinconning, 208 Manitou, PO Box 628, Pinconning, MI 48650.

CITY OF PINCONNING
Bay County, Michigan

GOVERNMENT WIDE STATEMENT OF NET ASSETS
June 30, 2007

	Primary Government			Component
	Governmental	Business -Type	Total	Unit
	Activities	Units		
ASSETS:				
Cash	\$ 305,945.30	\$ 132,253.74	\$ 438,199.04	\$ 94,726.16
Delinquent taxes receivable	0.00	0.00	0.00	0.00
Other receivables	55,200.00	121,650.44	176,850.44	0.00
Internal balances	49,217.50	-49,217.50	0.00	0.00
Inventory	0.00	300.00	300.00	0.00
Receivable from State	36,597.18	0.00	36,597.18	0.00
Refinancing costs	0.00	0.00		0.00
Capital assets:				
Land	25,000.00	50,000.00	75,000.00	5,000.00
Buildings and improvements	897,304.00	3,450,949.01	4,348,253.01	87,720.91
Construction in progress	0.00	0.00	0.00	0.00
Infrastructure	464,815.62	0.00	464,815.62	0.00
Equipment	516,435.01	331,941.82	848,376.83	3,100.00
Water and sewer systems	0.00	4,134,100.25	4,134,100.25	0.00
Accumulated depreciation	<u>-1,143,846.35</u>	<u>-2,834,337.25</u>	<u>-3,978,183.60</u>	<u>-5,776.87</u>
Total Assets	1,206,668.26	5,337,640.51	6,544,308.77	184,770.20
LIABILITIES:				
Accounts payable	9,475.18	19,705.94	29,181.12	0.00
Accrued expenses	37,713.81	21,865.14	59,578.95	0.00
Due to other funds	0.00	0.00	0.00	0.00
Deferred revenue	55,200.00	0.00	55,200.00	0.00
Notes and bonds payable				
Amount due within one year	0.00	58,000.00	58,000.00	3,333.90
Amount due more than one year	<u>0.00</u>	<u>2,992,000.00</u>	<u>2,992,000.00</u>	<u>21,639.06</u>
Total Liabilities	102,388.99	3,091,571.08	3,193,960.07	24,972.96
NET ASSETS:				
Investment in capital assets net of related debt	759,708.28	2,082,653.83	2,842,362.11	65,071.08
Restricted major and local streets	36,764.64	0.00	36,764.64	0.00
Restricted for debt service	0.00	146,114.03	146,114.03	0.00
Unrestricted	<u>307,806.35</u>	<u>17,301.57</u>	<u>325,107.92</u>	<u>94,726.16</u>
Total Net Assets	\$ <u>1,104,279.27</u>	\$ <u>2,246,069.43</u>	\$ <u>3,350,348.70</u>	\$ <u>159,797.24</u>

The accompanying notes are an integral part of the financial statements.

CITY OF PINCONNING
Bay County, Michigan

GOVERNMENT WIDE STATEMENT OF ACTIVITIES
Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants/ Contributions	Capital Grants/ Contributions
PRIMARY GOVERNMENT:				
GOVERNMENTAL ACTIVITIES:				
Legislative	\$ 10,588.83	\$ 0.00	\$ 0.00	\$ 0.00
General Government	203,732.64	47,258.58	6,629.88	0.00
Public Safety	266,653.38	22,526.07	1,621.40	0.00
Public Works	317,624.39	1,150.00	102,153.48	0.00
Recreation and Cultural	15,031.79	0.00	0.00	0.00
Total governmental activities	813,631.03	70,934.65	110,404.76	0.00
BUSINESS-TYPE ACTIVITIES				
Water and Sewer	687,213.60	556,574.59	0.00	0.00
Total business-type activities	687,213.60	556,574.59	0.00	0.00
Total Primary Government	\$ 1,500,844.63	\$ 627,509.24	\$ 110,404.76	\$ 0.00
COMPONENT UNIT:				
Downtown Development Authority	40,045.63	5,830.00	0.00	0.00
GENERAL PURPOSE REVENUES:				
Property taxes				
State shared revenues				
Unrestricted Investment earnings				
Mobile home taxes				
Transfers				
Total General Purpose Revenues and Transfers				
Change in Net Assets				
Net Assets at beginning of year				
Net Assets - End of Year				

The accompanying notes are an integral part of the financial statements.

Net (Expense) Revenue and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Component Unit</u>
\$ (10,588.83)	\$ 0.00	\$ (10,588.83)	\$ 0.00
(149,844.18)	0.00	(149,844.18)	0.00
(242,505.91)	0.00	(242,505.91)	0.00
(214,320.91)	0.00	(214,320.91)	0.00
<u>(15,031.79)</u>	<u>0.00</u>	<u>(15,031.79)</u>	<u>0.00</u>
(632,291.62)	0.00	(632,291.62)	0.00
<u>0.00</u>	<u>(130,639.01)</u>	<u>(130,639.01)</u>	<u>0.00</u>
<u>0.00</u>	<u>(130,639.01)</u>	<u>(130,639.01)</u>	<u>0.00</u>
(632,291.62)	(130,639.01)	(762,930.63)	0.00
			(34,215.63)
428,989.95	0.00	428,989.95	55,271.83
147,561.00	0.00	147,561.00	0.00
21,933.96	9,640.46	31,574.42	3,891.45
256.00	0.00	256.00	0.00
<u>(97.44)</u>	<u>0.00</u>	<u>(97.44)</u>	<u>97.44</u>
<u>598,643.47</u>	<u>9,640.46</u>	<u>608,283.93</u>	<u>59,260.72</u>
(33,648.15)	(120,998.55)	(154,646.70)	25,045.09
<u>1,137,927.42</u>	<u>2,367,067.98</u>	<u>3,504,995.40</u>	<u>134,752.15</u>
\$ <u><u>1,104,279.27</u></u>	\$ <u><u>2,246,069.43</u></u>	\$ <u><u>3,350,348.70</u></u>	\$ <u><u>159,797.24</u></u>

CITY OF PINCONNING
Bay County, Michigan

GOVERNMENTAL FUNDS BALANCE SHEET
June 30, 2007

	GENERAL	MAJOR STREETS	LOCAL STREETS	CAPITAL PROJECTS	TOTAL
ASSETS:					
Cash	\$ 285,564.28	\$ 3,519.02	\$ 16,473.44	\$ 0.00	\$ 305,556.74
Delinquent taxes receivable	0.00	0.00	0.00	0.00	0.00
Other receivables	55,200.00	0.00	0.00	0.00	55,200.00
Prepaid expenses	0.00	0.00	0.00	0.00	0.00
Due from other Funds	49,606.06	0.00	0.00	0.00	49,606.06
Due from State	19,825.00	12,525.72	4,246.46	0.00	36,597.18
TOTAL ASSETS	\$ 410,195.34	\$ 16,044.74	\$ 20,719.90	\$ 0.00	\$ 446,959.98
LIABILITIES:					
Accounts payable	\$ 9,475.18	\$ 0.00	\$ 0.00	\$ 0.00	\$ 9,475.18
Deferred revenue	55,200.00	0.00	0.00	0.00	55,200.00
Accrued expenses	37,713.81	0.00	0.00	0.00	37,713.81
Payable to other governments	0.00	0.00	0.00	0.00	0.00
TOTAL LIABILITIES	102,388.99	0.00	0.00	0.00	102,388.99
FUND BALANCES:					
Reserved	0.00	0.00	0.00	0.00	0.00
Unreserved, reported in:					
General Fund	307,806.35	0.00	0.00	0.00	307,806.35
Special Revenue Funds	0.00	16,044.74	20,719.90	0.00	36,764.64
Capital Projects Funds	0.00	0.00	0.00	0.00	0.00
Total Fund Balances	307,806.35	16,044.74	20,719.90	0.00	344,570.99
TOTAL LIABILITIES AND FUND BALANCES	\$ 410,195.34	\$ 16,044.74	\$ 20,719.90	\$ 0.00	\$ 446,959.98

The accompanying notes are an integral part of the financial statements.

CITY OF PINCONNING
Bay County, Michigan

GOVERNMENTAL FUNDS
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO STATEMENT OF NET ASSETS
June 30, 2007

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$	344,570.99
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Amounts reported for governmental activities in the statement
of net assets are different because -

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the governmental funds
balance sheet:

Capital assets at cost	1,903,554.63
Accumulated depreciation	-1,143,846.35

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds	0.00
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TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES	\$	<u>1,104,279.27</u>
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The accompanying notes are an integral part of the financial statements.

CITY OF PINCONNING
Bay County, Michigan

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
June 30, 2007

	<u>GENERAL</u>	<u>MAJOR STREETS</u>	<u>LOCAL STREETS</u>	<u>CAPITAL PROJECTS</u>	<u>TOTAL</u>
REVENUES:					
Taxes	\$ 428,989.95	\$ 0.00	\$ 0.00	\$ 0.00	\$ 428,989.95
State and Federal Grants	147,561.00	76,292.06	25,861.42	0.00	249,714.48
Intergovernmental other	8,251.28	0.00	0.00	0.00	8,251.28
License and permits	488.00	0.00	0.00	0.00	488.00
Charges for Services	37,928.80	0.00	0.00	0.00	37,928.80
Fines and Forfeits	2,247.13	0.00	0.00	0.00	2,247.13
Interest and Rentals	51,660.68	500.00	300.00	0.00	52,460.68
Other Revenue	0.00	0.00	0.00	0.00	0.00
Total Revenues	677,126.84	76,792.06	26,161.42	0.00	780,080.32
EXPENDITURES:					
Legislative	10,588.83	0.00	0.00	0.00	10,588.83
General Government	200,532.64	0.00	0.00	0.00	200,532.64
Public Safety	254,333.05	0.00	0.00	0.00	254,333.05
Public Works	177,706.52	66,808.69	42,445.31	0.00	286,960.52
Cultural and Recreation	6,748.82	0.00	0.00	0.00	6,748.82
Capital Outlay	0.00	0.00	0.00	0.00	0.00
Debt service	0.00	0.00	0.00	0.00	0.00
Total Expenditures	649,909.86	66,808.69	42,445.31	0.00	759,163.86
EXCESS OF REVENUES OVER EXPENDITURES	27,216.98	9,983.37	-16,283.89	0.00	20,916.46
OTHER FINANCING SOURCES (USES):					
Transfer from other funds	0.00	0.00	10,000.00	0.00	10,000.00
Transfer to other funds	0.00	-10,000.00	0.00	-97.44	-10,097.44
Total Other Financing Sources (Uses)	0.00	-10,000.00	10,000.00	-97.44	-97.44
NET CHANGE IN FUND BALANCES	27,216.98	-16.63	-6,283.89	-97.44	20,819.02
FUND BALANCE - July 1, 2006	280,589.37	16,061.37	27,003.79	97.44	323,751.97
FUND BALANCE - June 30, 2007	\$ 307,806.35	\$ 16,044.74	\$ 20,719.90	\$ 0.00	\$ 344,570.99

The accompanying notes are an integral part of the financial statements.

CITY OF PINCONNING
Bay County, Michigan

GOVERNMENTAL FUNDS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES
Year Ended June 30, 2007

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$	20,819.02
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Amounts reported for governmental activities in the statement
of activities are different because -

Governmental funds report capital outlays as expenditures
while in the statement of activities, these costs are allocated
over their estimated lives as depreciation expense.

Depreciation expense	-54,467.17
Capital asset purchases capitalized	0.00

Repayment of debt principal is an expenditure in the governmental
funds, the repayment does not have an effect in the statement
of activities but does reduce the debt balance in the statement
of net assets.

Principal payments on long term debt	0.00
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CHANGE IN NET ASSETS - GOVERNMENTAL ACTIVITIES	\$	<u><u>-33,648.15</u></u>
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The accompanying notes are an integral part of the financial statements.

CITY OF PINCONNING
Bay County, Michigan

PROPRIETARY FUND
STATEMENT OF NET ASSETS
WATER AND SEWER FUND
June 30, 2007

ASSETS:

Current Assets:	
Cash	\$ 132,253.74
Accounts receivable	121,650.44
Inventory	300.00
Prepays	0.00
Total Current Assets	<u>254,204.18</u>
Noncurrent Assets:	
Capital Assets:	
Buildings and Improvements	3,500,949.01
Equipment	331,941.82
Water and sewer systems	4,134,100.25
Accumulated depreciation	(2,834,337.25)
Refinancing costs	0.00
Total Noncurrent Assets	<u>5,132,653.83</u>
Total Assets	5,386,858.01

LIABILITIES:

Current Liabilities	
Accounts payable	19,705.94
Due to General Fund	49,217.50
Accrued expenses	21,865.14
Revenue bonds payable	58,000.00
Total Current Liabilities	<u>148,788.58</u>
Noncurrent Liabilities	
Revenue bonds payable	<u>2,992,000.00</u>
Total Noncurrent Liabilities	<u>2,992,000.00</u>
Total Liabilities	3,140,788.58

NET ASSETS:

Invested in capital assets net of related debt	2,082,653.83
Restricted for debt retirement	146,114.03
Unrestricted	<u>17,301.57</u>
Total Net Assets	\$ <u><u>2,246,069.43</u></u>

Reconciliation of Government Wide Statement of Net Assets:

Net assets of business-type activities	\$ <u><u>2,246,069.43</u></u>
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The accompanying notes are an integral part of the financial statements.

CITY OF PINCONNING
Bay County, Michigan

WATER AND SEWER FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Year Ended June 30, 2007

OPERATING REVENUES:

Charges for Services	
Water charges	\$ 148,454.88
Sewer charges	365,207.41
Water hydrant rental	7,000.00
Septage income	24,350.00
Late payment fees	8,055.30
Miscellaneous	<u>3,507.00</u>

Total Operating Revenues 556,574.59

OPERATING EXPENSES:

Salaries	102,399.87
Fringes and taxes	53,846.42
Water - Cost of goods sold	86,108.28
Contractual Services	24,874.69
Supplies	9,356.26
Repairs and Maintenance	18,731.04
Utilities	63,918.66
Insurance	10,212.12
Other	4,443.03
Depreciation	<u>167,741.41</u>
Total Operating Expenses	<u>541,631.78</u>

Operating Income 14,942.81

NONOPERATING REVENUES(EXPENSES)

Interest Income	9,640.46
Loss on sale of capital asset	0.00
Interest Expense	<u>(145,581.82)</u>
Total Nonoperating Expenses	<u>(135,941.36)</u>

Income before contributions and transfers (120,998.55)

Transfers In	0.00
Transfers Out	<u>0.00</u>

Change in Net Assets (120,998.55)

Net Assets Beginning of Year 2,367,067.98

Net Assets End of Year \$ 2,246,069.43

The accompanying notes are an integral part of the financial statements.

CITY OF PINCONNING
Bay County, Michigan

WATER AND SEWER FUND
STATEMENT OF CASH FLOWS
Year Ended June 30, 2007

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from customers	\$ 550,997.67
Other operating cash receipts	7,000.00
Cash payments to suppliers for goods and services	(272,337.39)
Cash payments to employees for services	<u>(97,874.64)</u>
Net cash provided (used) by operating activities	187,785.64

CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES:

Transfers from other funds	0.00
Transfers to other funds	<u>0.00</u>
Net cash provided (used) by noncapital financing activities	0.00

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Acquisition of capital assets	0.00
Proceeds from sale of capital assets	0.00
Principal on County note	0.00
Interest paid on bonds	(145,581.82)
Principal payments on bonds	(81,376.00)
Contributed capital	<u>0.00</u>
Net cash provided (used) by capital and related financing activities	(226,957.82)

CASH FLOWS FROM INVESTING ACTIVITIES:

Interest on investments	<u>9,640.46</u>
Net increase (decrease) in cash	(29,531.72)
Cash beginning of year	<u>161,785.46</u>
Cash end of year	\$ <u><u>132,253.74</u></u>

RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Income (loss) from operations	\$ 14,942.81
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:	
Depreciation	167,741.41
Amortization	2,668.60
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	1,423.08
(Increase) decrease in inventory	(165.86)
Increase (decrease) in accounts payable	(3,349.63)
Increase (decrease) in accrued expenses	<u>4,525.23</u>
Net Cash Provided (Used) in Operating Activities	\$ <u><u>187,785.64</u></u>

The accompanying notes are an integral part of the financial statements.

CITY OF PINCONNING
Bay County, Michigan

STATEMENT OF NET ASSETS
FIDUCIARY FUND
June 30, 2007

TAX
COLLECTION
AGENCY
FUND

ASSETS

Cash in Bank	\$ <u>388.56</u>
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LIABILITIES

Due to general fund	\$ <u>388.56</u>
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The accompanying notes are an integral part of the financial statements.

CITY OF PINCONNING
Bay County, Michigan

COMPONENT UNIT
STATEMENT OF NET ASSETS
DOWNTOWN DEVELOPMENT AUTHORITY
June 30, 2007

ASSETS:

Current Assets:	
Cash	\$ 94,726.16
Accounts receivable	0.00
Prepays	0.00
Total Current Assets	<u>94,726.16</u>
Noncurrent Assets:	
Land	5,000.00
Construction in progress	0.00
Equipment	3,100.00
Buildings and Improvements	87,720.91
Accumulated depreciation	<u>(5,776.87)</u>
Total Noncurrent Assets	<u>90,044.04</u>
Total Assets	184,770.20

LIABILITIES:

Current Liabilities	
Accounts payable	0.00
Due to Capital Projects	0.00
Building authority bond	<u>3,333.90</u>
Total Current Liabilities	<u>3,333.90</u>
Noncurrent Liabilities	
Building authority bond	<u>21,639.06</u>
Total Noncurrent Liabilities	<u>21,639.06</u>
Total Liabilities	24,972.96

NET ASSETS:

Invested in capital assets net of related debt	65,071.08
Unrestricted	<u>94,726.16</u>
Total Net Assets	\$ <u><u>159,797.24</u></u>

The accompanying notes are an integral part of the financial statements.

CITY OF PINCONNING
Bay County, Michigan

COMPONENT UNIT - DDA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2007

Year Ended June 30, 2007					Net (Expense) Revenue and Change in Net Assets
Functions/Programs	Expenses	Program Revenues			Downtown Development Authority
		Charges for Services	Operating Grants/ Contributions	Capital Grants/ Contributions	
DOWNTOWN DEVELOPMENT AUTHORITY					
Economic development	\$ 39,410.38	\$ 5,830.00	\$ 0.00	\$ 0.00	\$ (33,580.38)
Interest on long term debt	<u>635.25</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>(635.25)</u>
Total governmental activities	<u>40,045.63</u>	<u>5,830.00</u>	<u>0.00</u>	<u>0.00</u>	<u>(34,215.63)</u>
GENERAL REVENUES:					
Property taxes					55,271.83
Transfer from Capital Project					97.44
Net Loss on sale of Assets					0.00
Unrestricted Investment earnings					<u>3,891.45</u>
Total General Purpose Revenues and Transfers					<u>59,260.72</u>
Change in Net Assets					25,045.09
Net Assets at beginning of year					<u>134,752.15</u>
Net Assets - End of Year					\$ <u>159,797.24</u>

The accompanying notes are an integral part of the financial statements.

CITY OF PINCONNING
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A: DESCRIPTION OF REPORTING ENTITY:

The City of Pinconning is located in Bay County and operates under an elected Board of Council Members (6 members) and an elected Mayor, and provides services to its residents in many areas. The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

B: REPORTING ENTITY:

Financial Reporting Entity

The City's basic financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the City hold the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit//burden on the City
- there is fiscal dependency by the organization on the City

Based on the aforementioned criteria, the City of Pinconning has one component unit, the Downtown Development Authority. The Downtown Development Authority was created to correct and prevent deterioration in the downtown district, and promote growth within the district. The Authority's governing body, which consists of nine (9) individuals, is appointed by the Mayor and approved by the City Council.

Jointly Governed Organization

The City of Pinconning, Pinconning Township and the Township of Fraser participate jointly in the operation of the Pinconning Fraser Fire Department. The funding formula requires that each municipality share the operational costs of the department. All the financial operations of the fire department are recorded in the Pinconning Fraser Fire Department. The city's portion contributed for the fiscal year was \$55,370.

C: BASIS OF PRESENTATION:

The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the activities of City. The effect of the interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by

CITY OF PINCONNING
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identified with a specific program. Program revenue include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.

D: FUND FINANCIAL STATEMENTS:

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City has presented the following major governmental funds:

General Fund -

General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Major Street Fund -

Major Street Fund is a legally mandated fund to account for specific proceeds of revenue from the Michigan Department of Transportation and to account for the legally restricted expenditures of those funds related to the maintenance and construction of major roads within the City.

Local Street Fund -

Local Street Fund is a legally mandated fund to account for specific proceeds of revenue from the Michigan Department of Transportation and to account for the legally restricted expenditures of those funds related to the maintenance and construction of local roads within the City.

CITY OF PINCONNING
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Capital Projects Fund -

Capital Projects Fund is used to account for the construction of major capital facilities not accounted for by proprietary funds.

Propriety Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Assets. The City has presented the following major propriety funds:

Water and Sewer Fund -

Water and Sewer Fund is used to account for the provision of water and sewer services to the residents of the City. Activities of the fund include administration, operation and maintenance of the water system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt. Costs are financed through charges to customers.

Propriety funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a propriety fund's principal ongoing operations. Operating expenses for the propriety funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

Agency Funds -

The Tax Collections Agency Fund accounts for assets held by the City in a trustee capacity. Tax collections are custodial in nature and do not involve the measurement of results of operations.

E: MEASUREMENT FOCUS/BASIS OF ACCOUNTING:

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for propriety funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

CITY OF PINCONNING
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and state shared governmental revenues. All other governmental fund revenues are recognized when received.

F: CAPITAL ASSETS:

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the entity-wide financial statements. Capital assets are defined by the City as assets with an individual cost of more than \$2,500 and any assets susceptible to theft. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized.

Buildings, equipment, land improvements and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	40 – 50 years
Land improvements	15 – 20 years
Vehicles	5 – 10 years
Furniture and other equipment	3 – 10 years

G: FUND EQUITY:

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

H: PROPERTY TAXES

Properties are assessed as of December 31; the related property taxes are billed on July 1 and become a lien on December 31 of the following year. These taxes are due without

CITY OF PINCONNING
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

penalty during the period from July 1 through August 15 with a final collection date of February 28 before they are added to the county tax rolls. The 2007 taxable valuation of City properties totaled \$27,093,664. The taxes levied and the resulting revenue by fund and component unit was as follows:

	<u>Millage</u> <u>Rate</u>	<u>Revenue</u>
Operating millage – Net of portion captured by Downtown Development Authority	14.7965	\$ 370,086.12
Refuse collection fees		54,960.00
Trailer park fees		<u>256.00</u>
Total governmental funds		\$ <u>425,302.12</u>
Downtown Development Authority Capture		\$ <u>53,271.83</u>

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles and State law for the General and Special Revenue Funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the City to have its budget in place by April 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits entities to amend their budgets during the year. There were no significant amendments during the year.

Excess of Expenditures Over Appropriations in Budgeted Funds - The City did not incur expenditures in excess of budget.

Fund Deficits - The City had no accumulated fund balance deficits.

CITY OF PINCONNING
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 3. LONG-TERM DEBT:

Long-term obligation activity can be summarized as follows:

	<u>Interest Rate</u>	<u>Principal Monthly Ranges</u>	<u>Beginning Balances</u>	<u>Additions (Deductions)</u>	<u>Ending Balance</u>	<u>Current Portion</u>
BUSINESS – TYPE ACTIVITIES						
1997 Refunding Bonds General Obligation	4.25- 5.20	53,376/yr	53,376	(53,376)	0	0
1996 Revenue Bond B	4.5	1,000/yr	47,000	(4,000)	43,000	4,000
1996 Revenue Bond A	4.5	5,000- 155,500/yr	2,460,000	(20,000)	2,440,000	50,000
2002 Revenue Bond A	4.75	3,000-5,000/yr	529,000	(3,000)	526,000	3,000
2002 Revenue Bond b	4.75	1,000-3,000/yr	<u>42,000</u>	<u>(1,000)</u>	<u>41,000</u>	<u>1,000</u>
Total Business-Type Activity			<u>\$ 3,131,376</u>	<u>\$ (81,376)</u>	<u>\$ 3,050,000</u>	<u>\$ 58,000</u>
COMPONENT UNIT						
Revitalization Loan	2.25	11,000-8,079/yr	<u>28,233.50</u>	<u>3,260.54</u>	<u>24,972.96</u>	<u>3,333.90</u>
Total Component Unit			<u>\$ 28,233.50</u>	<u>\$ 3,260.54</u>	<u>\$ 24,972.96</u>	<u>\$ 3,333.90</u>

Annual debt service requirements are detailed in the other supporting schedules.

CITY OF PINCONNING
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 4. CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2007 was as follows:

	<u>Balance July 1</u>	<u>Additions/ Completions</u>	<u>Retirements/ Adjustments</u>	<u>Balance June 30</u>
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 25,000	\$ 0	\$ 0	\$ 25,000
Construction in progress	406,802	(406,802)	0	0
Capital assets being depreciated				
Buildings and improvements	897,304	0	0	897,304
Furniture and equipment	516,435	0	0	516,435
Infrastructure	<u>58,014</u>	<u>406,802</u>	<u>0</u>	<u>464,816</u>
Subtotal	1,471,753	406,802	0	1,878,555
Less accumulated depreciation	<u>1,089,379</u>	<u>54,467</u>	<u>0</u>	<u>1,143,846</u>
Net capital assets being depreciated	<u>382,374</u>	<u>352,335</u>	<u>0</u>	<u>734,709</u>
Total net capital assets	<u>\$ 814,176</u>	<u>\$ (54,467)</u>	<u>\$ 0</u>	<u>759,709</u>
Business – Type Activities				
Capital assets not being depreciated				
Land	\$ 50,000	\$ 406,802	\$ 0	\$ 50,000
Capital assets being depreciated				
Buildings and improvements	3,450,949	0	0	3,450,949
Water and sewer distribution systems	4,134,100	0	0	4,134,100
Furniture and equipment	<u>331,942</u>	<u>0</u>	<u>0</u>	<u>331,942</u>
Subtotal	7,916,991	0	0	7,916,991
Less accumulated depreciation	<u>2,666,596</u>	<u>167,741</u>	<u>0</u>	<u>2,834,337</u>
Net capital assets being depreciated	<u>5,250,395</u>	<u>(167,741)</u>	<u>0</u>	<u>5,082,654</u>
Total net capital assets	<u>\$ 5,300,395</u>	<u>\$ (167,741)</u>	<u>\$ 0</u>	<u>\$ 5,132,654</u>

CITY OF PINCONNING
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 4. CAPITAL ASSETS (continued):

Capital assets activity for the City's component unit for the year was as follows:

	Balance <u>July 1</u>	Additions/ <u>Completions</u>	Retirements/ <u>Adjustments</u>	Balance <u>June 30</u>
Component Unit				
Capital assets not being depreciated				
Land	\$ 5,000	\$ 0	\$ 0	\$ 5,000
Construction in progress	0	0	0	0
Capital assets being depreciated				
Buildings and improvements	90,821	0	0	90,821
Less accumulated depreciation	<u>3,349</u>	<u>2,428</u>	<u>0</u>	<u>5,777</u>
Net capital assets being depreciated	<u>87,472</u>	<u>2,428</u>	<u>0</u>	<u>85,044</u>
Total net capital assets	<u>\$ 92,472</u>	<u>\$ 2,428</u>	<u>\$ 0</u>	<u>\$ 90,044</u>

Depreciation expense was charged to programs of the primary government and component unit as follows:

Governmental Activities:	
Legislative	\$ 0
General government	3,200
Public safety	12,320
Public works	30,664
Recreation and culture	<u>8,283</u>
Total depreciation expense	<u>\$ 54,467</u>
Business-Type Activities:	
Water and Sewer	<u>\$ 167,741</u>
Component Unit:	
DDA	<u>\$ 2,428</u>

NOTE 5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS:

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General Fund	\$ 389	Tax Collection Fund	\$ 389
General Fund	<u>49,218</u>	Water and sewer	<u>49,218</u>
Total	<u>\$ 49,607</u>		<u>\$ 49,607</u>

CITY OF PINCONNING
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 6. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS:

A. LEGAL COMPLIANCE:

Act 217, PA 1982, authorizes the City to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loans associations; bonds and other direct obligations of the United States, or an agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the three highest classifications by not less than two standard rating services, which mature not more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Michigan law prohibits security in the form of collateral, surety bond, or other forms for the deposit of public money. An Attorney General's opinion states that public funds may not be deposited in financial institutions located in states other than Michigan.

All City deposits were in compliance with state statutes.

B. DEPOSITS:

Deposits are carried at cost. Deposits of the City are maintained at National City Bank and Independent Bank, federally insured banks.

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the City's cash deposit at June 30, 2007 are as follows:

<u>Deposits</u>	<u>Carrying Amount</u>
Insured (FDIC)	\$ 423,229
Uninsured and Uncollateralized	<u>109,696</u>
Total	<u>\$ 532,925</u>

NOTE 7. DEFINED BENEFIT PENSION PLAN:

Plan Description

The City participates in the Michigan Municipal Employees' Retirement System, an agent multiple-employer defined benefit pension plan that covers all employees of the City. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees' Retirement System issues a publically available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 1134 Municipal Way, Lansing, Michigan, 48917. MERS was organized pursuant to *Public Act 156 of 1851*, §12a (MSA 5.333(a); MCLA 46.12a), as amended, State of Michigan. MERS is regulated under *Public Act 427 of 1995*, the sections of which have been approved by the State Pension Commission.

CITY OF PINCONNING
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 7. DEFINED BENEFIT PENSION PLAN (continued):

The City is in an agent/multi-employer defined contribution plan with the Municipal Employees Retirement System (MERS administered by the State of Michigan. The most recent period for which actuarial data was available was for the calendar year ended December 31, 2006. The City's covered payroll for employees covered by MERS for the year ended December 31, 2006 was \$414,435 per the actuarial report. Data on covered versus total payroll was available in the latest actuarial evaluation.

Annual Pension Cost

For the year ended June 30, 2007, the City's annual pension cost of \$32,245 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2006 using an entry age normal funding method. Significant actuarial assumptions used include: (a) a rate of return on the investment of present and future assets of 8 percent per year compounded annually, (b) projected salary increases of 4.5 percent per year compounded annually, (c) additional projected salary increases ranging from 0 percent to 4.5 percent per year, depending on age, attributable to seniority/merit, and (d) the assumption that benefits will increase annually 2.5 percent per year, noncompounded after retirement. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a ten-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 25 years.

Unfunded Actuarial Accrued Liability

Actuarial Accrued Liability

Retirees and beneficiaries currently receiving benefits	\$ 989,938
Terminated employees (vested former members not yet receiving benefits	74,775
Non-vested terminated employees (pending refunds of accumulated member contributions)	9,952
Current employees -	
Accumulated employee contributions including allocated investment income	207,181
Employer financed	<u>520,265</u>
Total Actuarial Accrued Liability	\$ 1,802,111
Net Assets Available for Benefits at Actuarial Value	<u>1,518,666</u>
(Market Value is \$1,431,142)	
Unfunded (Overfunded) Actuarial Accrued Liability	<u>\$ 283,44</u>

CITY OF PINCONNING
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 7. DEFINED BENEFIT PENSION PLAN (continued):

TREND INFORMATION

	Fiscal Year Ended June 30				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Annual pension cost (APC)	\$ 21,252	\$ 23,736	\$ 18,1886	\$ 29,134	\$ 32,245
Percentage of APC contributed	100%	100%	100%	100%	100%
Net pension obligation	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
12/31/96	\$ 1,050,065	\$ 895,347	\$ (154,717)	117%		0%
12/31/97	1,115,003	1,002,164	(112,838)	111		0
12/31/98	1,194,278	1,006,219	(128,058)	112		0
12/31/99	1,324,423	1,136,883	(187,539)	116		0
12/31/00	1,400,368	1,287,038	(113,329)	109		0
12/31/01	1,441,741	1,392,424	(49,317)	104		0
12/31/02	1,407,316	1,452,989	45,673	98	382,887	12
12/31/03	1,428,160	1,553,506	125,346	92	391,892	32
12/31/04	1,446,796	1,695,645	248,849	85	409,910	61
12/31/05	1,469,875	1,705,481	235,606	86	399,876	59
12/31/06	1,518,666	1,802,111	283,445	84	414,435	68

ANNUAL REQUIRED CONTRIBUTIONS

Fiscal Year Beginning	July 1, 2007	July 1, 2008
Annual Required Contribution (ARC)	\$ 31,800	\$ 33,588
Amortization Factor Used – Underfunded Liabilities (30 years)	0.053632	0.054719
Amortization Factor Used – Overfunded Liabilities (10 years)	0.119963	0.119963

NOTE 8. RISK MANAGEMENT:

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City manages its liability and property risk by participating in Michigan Municipal Risk Management Authority, a public entity risk pool providing property and liability coverage to its participating members. The City pays an annual premium to Michigan Municipal Risk Management Authority for its insurance coverage. The Michigan Municipal Risk Management Authority is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence based property coverage to its members by internally assuring certain risks and reinsuring risks.

CITY OF PINCONNING
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS
June 30, 2007

NOTE 8. RISK MANAGEMENT (continued):

through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any or the past three fiscal years.

The City manages its workers' compensation by participating in Michigan Municipal League, a public entity risk pool providing workers' compensation coverage to its participating members. The City pays an annual premium to Michigan Municipal League for its insurance coverage. The Michigan Municipal League is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based coverage for each incident to its members by internally assuring certain risks and reinsuring risks thorough commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF PINCONNING
Bay County, Michigan

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL
Year Ended June 30, 2007

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES:				
Taxes	\$ 361,200.00	\$ 361,200.00	\$ 374,029.95	\$ 12,829.95
Special assessment solid waste	55,000.00	54,000.00	54,960.00	960.00
State revenue sharing	153,000.00	153,000.00	147,561.00	-5,439.00
Intergovernmental other	1,600.00	9,000.00	8,251.28	-748.72
Fines and fees	5,000.00	3,000.00	2,247.13	-752.87
Charges for services	1,500.00	35,700.00	37,928.80	2,228.80
License and permits	0.00	1,200.00	488.00	-712.00
Interest and rental	69,900.00	68,000.00	51,660.68	-16,339.32
Other Revenue	40,500.00	2,600.00	0.00	-2,600.00
Total Revenues	687,700.00	687,700.00	677,126.84	-10,573.16
EXPENDITURES:				
Legislative	13,090.00	13,090.00	10,588.83	2,501.17
General Government				
City Manager	65,720.00	65,720.00	63,345.67	2,374.33
Elections	3,550.00	2,550.00	2,214.43	335.57
Assessor	10,300.00	12,300.00	11,108.30	1,191.70
Attorney	0.00	0.00	0.00	0.00
Board of Review	800.00	800.00	722.36	77.64
Treasurer	28,832.00	28,832.00	19,767.84	9,064.16
Clerk	56,258.00	56,258.00	56,041.26	216.74
City Hall	60,446.00	57,446.00	47,332.78	10,113.22
Public Safety				
Fire	55,120.00	56,120.00	55,370.00	750.00
Police	201,830.00	201,830.00	196,858.05	4,971.95
Ambulance	1,386.00	1,386.00	2,105.00	-719.00
Public Works				
Sanitation	54,960.00	55,960.00	55,232.99	727.01
Planning	200.00	200.00	0.00	200.00
Street lighting	23,500.00	26,500.00	26,320.51	179.49
Department of Public works	102,458.00	99,458.00	96,153.02	3,304.98
Cultural and Recreation				
Parks	9,250.00	9,250.00	6,748.82	2,501.18
Total Expenditures	687,700.00	687,700.00	649,909.86	37,790.14
OTHER FINANCING SOURCES (USES):				
Transfer from other funds	0.00	0.00	0.00	0.00
Transfer to other funds	0.00	0.00	0.00	0.00
Net Other Financing Sources (Uses)	0.00	0.00	0.00	0.00
NET CHANGE IN FUND BALANCE	0.00	0.00	27,216.98	27,216.98
FUND BALANCE - BEGINNING OF YEAR	280,589.37	280,589.37	280,589.37	0.00
FUND BALANCE - END OF YEAR	\$ 280,589.37	\$ 280,589.37	\$ 307,806.35	27,216.98

CITY OF PINCONNING
Bay County, Michigan

MAJOR STREET FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL
Year Ended June 30, 2007

	Original Budget	Final Amended Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
REVENUES:				
Taxes	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
State Grants	76,000.00	76,000.00	76,292.06	292.06
Interest and Rentals	500.00	500.00	500.00	0.00
Total Revenues	76,500.00	76,500.00	76,792.06	292.06
EXPENDITURES:				
Public Works				
Routine maint	33,000.00	32,000.00	31,774.74	225.26
Signals and signs	3,750.00	3,750.00	3,421.68	328.32
Equipment rental	29,000.00	29,000.00	18,312.27	10,687.73
Snow removal	7,000.00	8,000.00	7,000.00	1,000.00
Other	7,300.00	7,300.00	6,300.00	1,000.00
Total Expenditures	80,050.00	80,050.00	66,808.69	13,241.31
EXCESS REVENUES OVER EXPENDITURES	-3,550.00	-3,550.00	9,983.37	34,187.41
OTHER FINANCING SOURCES (USES)				
Transfers in out	-10,000.00	-10,000.00	-10,000.00	0.00
Excess (deficiency) of revenues over expenditures and other uses	-13,550.00	-13,550.00	-16.63	34,187.41
FUND BALANCE - BEGINNING OF YEAR	16,061.37	16,061.37	16,061.37	0.00
FUND BALANCE - END OF YEAR	\$ 2,511.37	\$ 2,511.37	\$ 16,044.74	\$ 34,187.41

CITY OF PINCONNING
Bay County, Michigan

LOCAL STREET FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL
Year Ended June 30, 2007

	Original Budget	Final Amended Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
REVENUES:				
Taxes	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
State Grants	26,000.00	26,000.00	25,861.42	5,213.23
Interest and Rentals	200.00	200.00	300.00	297.99
Total Revenues	26,200.00	26,200.00	26,161.42	5,511.22
EXPENDITURES:				
Public Works				
Routine maint	21,000.00	20,500.00	19,282.03	1,217.97
Snow removal	4,000.00	4,500.00	3,193.28	1,306.72
Equipment rental	13,900.00	13,900.00	13,900.00	0.00
Other	6,650.00	6,650.00	6,070.00	580.00
Total Expenditures	45,550.00	45,550.00	42,445.31	3,104.69
EXCESS REVENUES OVER EXPENDITUR	-19,350.00	-19,350.00	-16,283.89	3,066.11
OTHER FINANCING SOURCES (USES)				
Transfer from Major street	10,000.00	10,000.00	10,000.00	0.00
Excess (deficiency) of revenues over expenditures and other uses	-9,350.00	-9,350.00	-6,283.89	3,066.11
FUND BALANCE - BEGINNING OF YEAR	27,003.79	27,003.79	27,003.79	0.00
FUND BALANCE - END OF YEAR	\$ 17,653.79	\$ 17,653.79	\$ 20,719.90	\$ 3,066.11

OTHER SUPPORTING INFORMATION

CITY OF PINCONNING
Bay County, Michigan

DOWNTOWN DEVELOPMENT AUTHORITY FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL
Year Ended June 30, 2007

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:				
Taxes	\$ 60,000.00	\$ 60,000.00	\$ 55,271.83	\$ -4,728.17
Sale of Assets	0.00	0.00	0.00	
Rental income	5,500.00	5,500.00	5,830.00	330.00
Interest	1,500.00	1,500.00	3,891.45	2,391.45
Total Revenues	67,000.00	67,000.00	64,993.28	-2,006.72
EXPENDITURES:				
Public Works-				
Building Maintenance	12,000.00	14,100.00	11,846.58	2,253.42
Administrative fees	2,500.00	2,500.00	2,500.00	0.00
Project Activities	66,364.00	60,264.00	22,635.78	37,628.22
Debt - Principal	3,100.00	3,300.00	3,260.54	39.46
Debt- Interest	0.00	700.00	635.25	64.75
Capital Outlay	0.00	3,100.00	0.00	3,100.00
Other	19,111.00	19,111.00	0.00	19,111.00
Total Expenditures	103,075.00	103,075.00	40,878.15	59,943.43
Excess Revenues over Expenditures	-36,075.00	-36,075.00	24,115.13	-60,190.13
OTHER FINANCING SOURCES USES				
Transfer from Capital projects	0.00	100.00	97.44	2.56
Excess Rev. over Expend and other uses	-36,075.00	-35,975.00	24,212.57	-60,187.57
FUND BALANCE - BEGINNING OF YEAR	70,513.59	70,513.59	70,513.59	0.00
FUND BALANCE - END OF YEAR	\$ 34,438.59	\$ 34,538.59	\$ 94,726.16	\$ -60,190.13

CITY OF PINCONNING
Bay County, Michigan

COMPONENT UNIT - DDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO STATEMENT OF ACTIVITIES
Year Ended June 30, 2007

NET CHANGE IN FUND BALANCE \$ 24,212.57

Amounts reported for governmental activities in the statement
of activities are different because -

Governmental funds report capital outlays as expenditures
while in the statement of activities, these costs are allocated
over their estimated lives as depreciation expense.

Depreciation expense	(2,428.02)
Capital asset purchases capitalized	0.00

Repayment of debt principal is an expenditure in the governmental
funds, the repayment does not have an effect in the statement
of activities but does reduce the debt balance in the statement
of net assets.

Principal payments on long term debt	3,260.54
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CHANGE IN NET ASSETS - COMPONENT UNIT ACTIVITIES	\$ <u>25,045.09</u>
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CITY OF PINCONNING
Bay County, Michigan

COMPONENT UNIT
DOWNTOWN DEVELOPMENT AUTHORITY
BALANCE SHEET
June 30, 2007

ASSETS:

Current Assets:	
Cash	\$ 94,726.16
Accounts receivable	0.00
Prepays	0.00
Total Current Assets	\$ <u>94,726.16</u>

LIABILITIES:

Current Liabilities	
Accounts payable	\$ 0.00
Due to Capital Projects	0.00
Total Current Liabilities	<u>0.00</u>
Fund Balance	
Unrestricted	<u>94,726.16</u>
Total Liabilities and Fund Balance	\$ <u>94,726.16</u>

CITY OF PINCONNING
Bay County, Michigan

COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY
RECONCILIATION OF BALANCE SHEET TO STATEMENT OF NET ASSETS
June 30, 2007

FUND BALANCES ON BALANCE SHEET	\$ 94,726.16
Amounts reported for governmental activities in the statement of net assets are different because -	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	95,820.91
Accumulated depreciation	(5,776.87)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds	
	(24,972.96)
TOTAL NET ASSETS - COMPONENT UNIT	\$ <u>159,797.24</u>

CITY OF PINCONNING
Bay County, Michigan

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Year Ended June 30, 2007

REVENUES:

Taxes -	
Current tax levy	\$ 370,086.12
Special assessment solid waste	54,960.00
Penalties and interest	2,675.89
Collection fee	<u>1,267.94</u>
Total taxes	428,989.95
State and Local Grants -	
State revenue sharing	147,561.00
Metro act	4,689.93
Local grant	1,939.95
Other grants	0.00
Liquor license fees	<u>1,621.40</u>
	155,812.28
Federal Grant	
Justice dept.	0.00
Licenses and permits	
Dog and Cat	232.00
Zoning	0.00
Mobile home park	<u>256.00</u>
Total licenses and permits	488.00
Fines and penalties	2,247.13
Charges for services	
Notary fees	44.00
Copies and misc	11,708.73
Admin fees	2,500.00
Weed cutting	1,150.00
Police/fire reports	924.28
Police services	<u>21,601.79</u>
Total Charges for Services	37,928.80
Interest and Rentals -	
Interest	21,133.96
Rents	<u>30,526.72</u>
Total Interest and Rentals	<u>51,660.68</u>
Total Revenues	677,126.84

EXPENDITURES 649,909.86

OTHER FINANCING SOURCES USES
 Transfer to Capital Projects 0.00

NET CHANGE IN FUND BALANCE 27,216.98

FUND BALANCE - July 1, 2006 280,589.37

FUND BALANCE - June 30, 2007 \$ 307,806.35

CITY OF PINCONNING
Bay County, Michigan

CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Year Ended June 30, 2007

	<u>Actual</u>
REVENUES:	
Federal Grant	\$ 0.00
State Grants	0.00
Interest and Rentals	<u>0.00</u>
Total Revenues	0.00
EXPENDITURES:	
Public Works	
Capital outlay	0.00
Other	<u>0.00</u>
Total Expenditures	<u>0.00</u>
EXCESS REVENUES OVER EXPENDITURES	0.00
OTHER FINANCING SOURCES (USES)	
Transfers Out	<u>-97.44</u>
Excess (deficiency) of revenues over expenditures and other uses	-97.44
FUND BALANCE - BEGINNING OF YEAR	<u>97.44</u>
FUND BALANCE - END OF YEAR	\$ <u><u>0.00</u></u>

CITY OF PINCONNING
Bay County, Michigan

WATER SEWER FUND
SEGMENT INFORMATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Years Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
WATER REVENUES:		
Charges for Services	\$ 148,454.88	\$ 203,647.42
Water Charges	7,000.00	7,000.00
Water Hydrant Rental	2,255.48	1,950.35
Late penalties	2,521.37	3,093.69
Interest	0.00	2,357.96
Miscellaneous	<u> </u>	<u> </u>
Total Water Revenues	160,231.73	218,049.42
SEWER REVENUES:		
Charges for Services	365,207.41	312,660.02
Sewer Charges	24,350.00	24,500.00
Septage Income	5,799.82	3,182.16
Late penalties	7,119.09	5,047.59
Interest	3,507.00	2,357.95
Miscellaneous	<u> </u>	<u> </u>
Total Sewer Revenues	405,983.32	347,747.72
WATER EXPENSES		
Salaries	24,752.13	29,672.59
Fringes and Taxes	15,686.88	14,230.78
Water - Cost of Goods Sold	86,108.28	81,944.64
Contractual Services	1,606.93	7,981.53
Supplies	1,903.67	1,674.69
Repairs and Maintenance	9,028.34	11,736.00
Utilities	569.85	528.83
Insurance	5,490.76	5,676.19
Other	1,251.09	2,565.73
Interest	2,975.72	5,697.88
Depreciation	<u>34,950.72</u>	<u>33,299.71</u>
Total Water Expenses	184,324.37	195,008.57
SEWER EXPENSES		
Salaries	77,647.74	78,563.53
Fringes and Taxes	38,159.54	37,256.91
Contractual Services	23,267.76	14,539.86
Supplies	7,452.59	7,657.66
Repairs and Maintenance	9,702.70	24,220.26
Utilities	63,348.81	56,429.73
Insurance	4,721.36	5,222.24
Other	3,191.94	3,805.20
Interest	142,606.10	143,246.30
Depreciation	<u>132,790.69</u>	<u>134,574.91</u>
Total Sewer Expenses	502,889.23	505,516.60
Change in Net Assets	(120,998.55)	(134,728.03)
Net Assets Beginning of Year	2,367,067.98	2,501,796.01
Net Assets End of Year	\$ <u>2,246,069.43</u>	\$ <u>2,367,067.98</u>

CITY OF PINCONNING
Bay County, Michigan

GENERAL FUND
DETAIL OF EXPENDITURES
Year Ended June 30, 2007

EXPENDITURES:

LEGISLATIVE:

Mayor and City Council	
Salaries	\$ 7,250.00
Fringes and taxes	554.64
Membership dues	1,109.00
Audit	0.00
Supplies and other	<u>1,675.19</u>
Total Legislative	10,588.83

GENERAL GOVERNMENT:

City Manager	
Wages	45,124.66
Fringes and taxes	18,221.01
Telephone	0.00
Mileage and other	<u>0.00</u>
Total Manager	63,345.67

Elections-	
Wages	1,535.67
Supplies	380.91
Printing and publication	<u>297.85</u>
Total Elections	2,214.43

Accounting-	
Supplies	0.00
Office equip. maint.	0.00
Other costs	<u>0.00</u>
Total Accounting	0.00

Assessor-	
Contracted Service	8,384.22
County tax roll service	1,944.72
Supplies and other costs	<u>779.36</u>
Total Assessor	11,108.30

Board of Review-	
Fees	600.00
Other costs	<u>122.36</u>
Total board of review	722.36

CITY OF PINCONNING
Bay County, Michigan

GENERAL FUND
DETAIL OF EXPENDITURES (Continued)
Year Ended June 30, 2007

EXPENDITURES (CONT.):
GENERAL GOVERNMENT (CONT.):

Treasurer-	
Salaries	\$ 14,842.76
Fringes and taxes	3,121.13
Mileage	237.23
Meetings	1,436.72
Supplies and other	<u>130.00</u>
Total Treasurer	19,767.84
Clerk-	
Salaries	34,839.18
Fringes and taxes	20,621.93
Mileage	10.30
Meetings	282.85
Supplies and other	<u>287.00</u>
Total Clerk	56,041.26
City Hall and Grounds-	
Salaries	6,681.57
Custodial	2,246.23
Supplies	0.00
Office	657.00
Legal	1,163.25
Insurance	10,150.31
Utilities	8,879.69
Repairs and maintenance	12,133.42
Telephone	2,502.97
Other costs	<u>2,918.34</u>
Total City Hall	<u>47,332.78</u>
Total General Government	200,532.64
PUBLIC SAFETY:	
Fire Department-	
Contracted fire protection	48,370.00
Hydrant rental	<u>7,000.00</u>
Total Fire Department	55,370.00

CITY OF PINCONNING
Bay County, Michigan

GENERAL FUND
DETAIL OF EXPENDITURES (Continued)
Year Ended June 30, 2007

EXPENDITURES (CONT.):
PUBLIC SAFETY (CONT.)

Police-	
Salaries	\$ 127,011.87
Fringes and taxes	44,625.76
Office	449.56
Gas and oil	5,159.58
Legal	2,628.00
Supplies	950.85
Uniforms	1,585.87
Contracted services	652.00
Telephone	1,224.19
Training	1,292.66
Insurance	9,270.00
Capital Outlay	0.00
Vehicle maint.	1,777.75
Other Costs	<u>229.96</u>
Total Police	196,858.05
Ambulance-	
Contracted service	<u>2,105.00</u>
Total Public Safety	254,333.05

PUBLIC WORKS:

Sanitation-	
Refuse contract	55,232.99
Street Lighting-	26,320.51
Sidewalks	0.00
Department of Public Works-	
Salaries	39,461.60
Fringes and taxes	30,487.76
Supplies	2,466.58
Uniforms	303.00
Gas and oil	5,520.58
Telephone	1,118.56
Insurance	8,645.01
Utilities	5,236.52
Maint. and repairs	2,913.41
Capital Outlay	<u>0.00</u>
Total DPW	96,153.02
Planning and Zoning-	
Contracted services and supplies	<u>0.00</u>
Total Public Works	177,706.52

RECREATION AND CULTURAL:

Parks and Recreation-	
Gas and oil	131.56
Fringes and taxes	0.00
Utilities	3,280.23
Repairs and maint.	142.95
Insurance	3,053.56
Supplies and other	140.52
Capital Outlay	<u>0.00</u>
Total Recreation and Cultural	<u>6,748.82</u>
Total Expenditures	\$ <u>649,909.86</u>

CITY OF PINCONNING
Bay County, Michigan

BROWNFIELD REVITALIZATION LOAN
MICHIGAN DEPARTMENT OF ENVIRONMENTAL QUALITY
SCHEDULE OF INDEBTEDNESS
June 30, 2007

TYPE OF ISSUE: REVITALIZATION LOAN
PURPOSE OF ISSUE: BUILDING DEMOLITION
INTEREST RATE: 2.25%
TOTAL LOAN: 278,875
INITIAL LOAN: 99,573

<u>Date</u>	<u>June 7</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2008	\$ 3,333.90	\$ 561.89	\$ 3,895.79
2009	3,408.91	486.88	3,895.79
2010	3,485.61	410.18	3,895.79
2011	3,564.04	331.75	3,895.79
2012	3,644.23	251.56	3,895.79
2013	3,726.22	169.57	3,895.79
2014	<u>3,810.05</u>	<u>85.74</u>	<u>3,895.79</u>
	\$ <u>24,972.96</u>	\$ <u>2,297.57</u>	\$ <u>27,270.53</u>

CITY OF PINCONNING
Bay County, Michigan

2002 Water Supply and Sewage Disposal System Revenue Bond Series A
SCHEDULE OF INDEBTEDNESS
June 30, 2007

TYPE OF ISSUE: Revenue Bond
PURPOSE OF ISSUE: Water and Sewage System Improvements
INTEREST RATE: 4.75%
TOTAL AUTHORIZED ISSUE: 544,000

<u>Date</u>	<u>June 1</u>		<u>December 1</u>		<u>Total</u>
	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Only</u>	
2008	\$ 12,492	\$ 3,000	\$ 12,421	\$	27,913
2009	12,421	3,000	12,350		27,771
2010	12,350	3,000	12,279		27,629
2011	12,279	3,000	12,207		27,486
2012	12,207	4,000	12,112		28,319
2013	12,112	4,000	12,017		28,129
2014	12,017	4,000	11,922		27,939
2015	11,922	4,000	11,827		27,749
2016	11,827	6,000	11,685		29,512
2017	11,685	6,000	11,542		29,227
2018	11,542	6,000	11,400		28,942
2019	11,400	6,000	11,257		28,657
2020	11,257	8,000	11,067		30,324
2021	11,067	8,000	10,877		29,944
2022	10,877	10,000	10,640		31,517
2023	10,640	10,000	10,402		31,042
2024	10,402	10,000	10,165		30,567
2025	10,165	15,000	9,809		34,974
2026	9,809	15,000	9,453		34,262
2027	9,453	15,000	9,096		33,549
2028	9,096	15,000	8,740		32,836
2029	8,740	18,000	8,313		35,053
2030	8,313	20,000	7,838		36,151
2031	7,838	20,000	7,363		35,201
2032	7,363	20,000	6,888		34,251
2033	6,888	20,000	6,413		33,301
2034	6,413	20,000	5,938		32,351
2035	5,938	20,000	5,463		31,401
2036	5,463	40,000	4,513		49,976
2037	4,513	40,000	3,563		48,076
2038	3,563	50,000	2,375		55,938
2039	2,375	50,000	1,188		53,563
2040	1,188	50,000	-		51,188
	\$ <u>305,615</u>	\$ <u>526,000</u>	\$ <u>293,123</u>	\$	<u>1,124,738</u>

CITY OF PINCONNING
Bay County, Michigan

2002 Water Supply and Sewage Disposal System Revenue Bond Series B
SCHEDULE OF INDEBTEDNESS
June 30, 2007

TYPE OF ISSUE: REVENUE BOND
PURPOSE OF ISSUE: WATER AND SEWAGE SYSTEM IMPROVEMENTS
INTEREST RATE: 4.75%
ORIGINAL ISSUE: 47,000

<u>Date</u>	<u>June 1</u>		<u>December 1</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Interest</u>	<u>Only</u>	
2008	\$ 1,000	\$ 974	\$ 950	\$	2,924
2009	1,000	950	926		2,876
2010	1,000	926	902		2,828
2011	1,000	902	879		2,781
2012	1,000	879	855		2,734
2013	1,000	855	831		2,686
2014	1,000	831	808		2,639
2015	1,000	808	784		2,592
2016	1,000	784	760		2,544
2017	1,000	760	736		2,496
2018	1,000	736	712		2,448
2019	1,000	712	689		2,401
2020	1,000	689	665		2,354
2021	1,000	665	641		2,306
2022	1,000	641	617		2,258
2023	1,000	617	594		2,211
2024	1,000	594	570		2,164
2025	1,000	570	546		2,116
2026	1,000	546	523		2,069
2027	1,000	523	499		2,022
2028	1,000	499	475		1,974
2029	1,000	475	451		1,926
2030	1,000	451	428		1,879
2031	1,000	428	404		1,832
2032	1,000	404	380		1,784
2033	1,000	380	356		1,736
2034	2,000	356	309		2,665
2035	2,000	309	261		2,570
2036	2,000	261	214		2,475
2037	2,000	214	166		2,380
2038	2,000	166	119		2,285
2039	2,000	119	71		2,190
2040	3,000	71	-		3,071
	<u>\$ 41,000</u>	<u>\$ 19,095</u>	<u>\$ 18,121</u>	<u>\$</u>	<u>78,216</u>

CITY OF PINCONNING
Bay County, Michigan

1996 WATER SUPPLY AND SEWAGE DISPOSAL SYSTEM REVENUE BONDS - SERIES A
WATER AND SEWER FUND
SCHEDULE OF INDEBTEDNESS
June 30, 2007

TYPE OF ISSUE: Revenue Bonds
PURPOSE OF ISSUE: Water Supply System and Sewage Disposal
INTEREST RATE: 4.5%
ORIGINAL ISSUE: 2,511,000

Date	June 1		December 1		Totals
	Interest	Principal	Interest		
2008	\$ 54,900	\$ 50,000	\$ 53,775	\$	158,675
2009	53,775	50,000	52,650		156,425
2010	52,650	55,000	51,412		159,062
2011	51,412	55,000	50,175		156,587
2012	50,175	55,000	48,938		154,113
2013	48,938	55,000	47,700		151,638
2014	47,700	55,000	46,462		149,162
2015	46,462	60,000	45,113		151,575
2016	45,113	60,000	43,762		148,875
2017	43,762	60,000	42,413		146,175
2018	42,413	65,000	40,950		148,363
2019	40,950	70,000	39,375		150,325
2020	39,375	75,000	37,687		152,062
2021	37,687	80,000	35,888		153,575
2022	35,887	80,000	34,087		149,974
2023	34,088	85,000	32,175		151,263
2024	32,175	90,000	30,150		152,325
2025	30,150	95,000	28,013		153,163
2026	28,013	100,000	25,762		153,775
2027	25,762	105,000	23,400		154,162
2028	23,400	110,000	20,925		154,325
2029	20,925	115,000	18,338		154,263
2030	18,338	120,000	15,637		153,975
2031	15,637	125,000	12,825		153,462
2032	12,825	135,000	9,788		157,613
2033	9,788	135,000	6,750		151,538
2034	6,750	145,000	3,487		155,237
2035	3,487	155,000	-		158,487
	<u>\$ 952,537</u>	<u>\$ 2,440,000</u>	<u>\$ 897,637</u>	<u>\$</u>	<u>4,290,174</u>

CITY OF PINCONNING
Bay County, Michigan

1996 WATER SUPPLY AND SEWAGE DISPOSAL SYSTEM REVENUE BONDS - SERIES B
WATER AND SEWER FUND
SCHEDULE OF INDEBTEDNESS
June 30, 2007

TYPE OF ISSUE: Revenue Bonds
PURPOSE OF ISSUE: Water Supply System and Sewage Disposal
INTEREST RATE: 4.5%
ORIGINAL ISSUE: 60,000

<u>Date</u>	<u>June 1</u>		<u>December 1</u>		<u>Totals</u>
	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>		
2008	\$ 968	\$ 4,000	\$ 878	\$	5,846
2009	877	4,000	787		5,664
2010	788	5,000	675		6,463
2011	675	5,000	563		6,238
2012	562	5,000	450		6,012
2013	450	5,000	337		5,787
2014	338	5,000	225		5,563
2015	225	5,000	113		5,338
2016	112	5,000	-		5,112
	<u>\$ 4,995</u>	<u>\$ 43,000</u>	<u>\$ 4,028</u>	<u>\$</u>	<u>52,023</u>